

THE INTELLECTUAL
PROPERTY AND
ANTITRUST
REVIEW

EIGHTH EDITION

Editor
Dieter Paemen

THE LAWREVIEWS

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CONTENTS

PREFACE.....	v
<i>Dieter Paemen</i>	
Chapter 1 CHINA.....	1
<i>Zhaoqi Cen</i>	
Chapter 2 EUROPEAN UNION.....	16
<i>Dieter Paemen</i>	
Chapter 3 FRANCE.....	36
<i>David Por and Florence Ninane</i>	
Chapter 4 GERMANY.....	47
<i>Jörg Witting and Maren Steiert</i>	
Chapter 5 INDIA.....	65
<i>Toshit Shandilya, Chandni Anand and Yavipriya Gupta</i>	
Chapter 6 INDONESIA.....	76
<i>Daru Lukiantono, Mochamad Fachri, Wiku Anindito and Dyah Ayu Paramita</i>	
Chapter 7 ISRAEL.....	86
<i>Nahum Gabrieli</i>	
Chapter 8 JAPAN.....	93
<i>Yusuke Takamiya, Tetsuji Odan, Kobei Shiozaki and Rie Uemura</i>	
Chapter 9 PORTUGAL.....	103
<i>Tânia Luísa Faria, Margot Lopes Martins and Filipa Lima de Matos</i>	
Chapter 10 SPAIN.....	115
<i>Miquel Montaña Mora</i>	

Chapter 11	TURKEY.....	128
	<i>M Fevzi Toksoy, Bahadır Balki, Caner K Çeşit, Ulya Zeynep Tan and İrem Özdamar</i>	
Chapter 12	UNITED KINGDOM.....	142
	<i>James Flynn KC and Charlotte Thomas</i>	
Chapter 13	UNITED STATES.....	168
	<i>Susannah P Torpey and Aldo A Badini</i>	
Appendix 1	ABOUT THE AUTHORS.....	187
Appendix 2	CONTRIBUTORS' CONTACT DETAILS.....	199

PREFACE

The task of this book is, with respect to key jurisdictions globally, to provide an up-to-date, concrete and practical overview of developments on the relationship between antitrust and intellectual property laws and regulations. This eighth edition provides an update on recent developments, as well as an overview of the overall existing lay of the land regarding the relationship between the two bodies of law.

Key topics covered in this and future editions include the constraints imposed by antitrust on licensing, the circumstances under which a refusal to license intellectual property rights can be unlawful, the imposition of antitrust obligations on owners of standard-essential patents, the application of antitrust law to cross-border e-commerce, the intense disputes regarding the application of antitrust law on patent settlements in the pharmaceutical industry, and the growing importance of intellectual property issues in merger cases.

As intellectual property continues to gain importance in the world economy and the number, resources and sophistication of antitrust authorities grows across the globe, new battles will be fought over the circumstances in which antitrust constrains intellectual property. Existing differences in the application of antitrust to intellectual property – already significant, and perhaps even greater than in intellectual property laws themselves – may grow, perhaps especially as more net intellectual property-consuming countries devote resources to antitrust enforcement. Future editions of this book will analyse these developments, and we hope the reader will find this to be a useful compilation and oft-consulted guide.

Finally, I would like to thank the team at Clifford Chance LLP for their important contributions to this eighth edition of *The Intellectual Property and Antitrust Review*.

Dieter Paemen
Clifford Chance LLP
Brussels
June 2023

EUROPEAN UNION

*Dieter Paemen*¹

I INTRODUCTION

The EU competition rules on anticompetitive agreements, abuse of dominant position and merger control can be relevant to conduct involving intellectual property rights (IPRs). The most fundamental EU rules on competition are found in the Treaty on the Functioning of the European Union (TFEU), but secondary EU legislation and European Commission (EC) guidelines are also highly relevant.

Article 101 TFEU prohibits agreements and concerted practices that ‘have as their object or effect the prevention, restriction or distortion of competition’. Several pieces of EU secondary legislation and EC guidelines must be taken into account in applying Article 101 TFEU to IPR-related agreements. They include:

- a* Commission Regulation (EU) No. 316/2014 on the application of Article 101(3) TFEU to categories of technology transfer agreements (TTBER) and the accompanying Technology Transfer Guidelines;
- b* Commission Regulation (EU) No. 1217/2010 (which will be replaced in the second half of 2023) on the application of Article 101(3) TFEU to certain categories of research and development agreements (the R&D Block Exemption Regulation);
- c* EC Guidelines (which will be replaced in the second half of 2023) on the applicability of Article 101 TFEU to horizontal cooperation agreements 2011 (the Horizontal Cooperation Guidelines);
- d* Commission Regulation (EU) No. 2022/720 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices (VBER) and the accompanying Guidelines on Vertical Restraints; and
- e* the EC’s Subcontracting Notice.

Article 102 TFEU prohibits any abuse of a dominant position. The EC’s Guidance on its enforcement priorities in applying Article 102 TFEU to abusive exclusionary conduct by dominant undertakings (the Guidance in applying Article 102 TFEU) addresses conduct involving IPRs, in particular in relation to refusals to license IPRs.

The basic regulation on EU merger control is Council Regulation (EC) No. 139/2004 on the control of concentrations between undertakings (EUMR). Under the EUMR, the acquisition of IPRs may constitute a concentration triggering EU merger control.

¹ Dieter Paemen is a partner at Clifford Chance LLP. Special thanks go to Bram Van der Beken for his assistance in preparing the latest update of this chapter, and to Thomas Vinje for overseeing the preparation of earlier versions of this chapter.

Full-function joint ventures to which IP (and potentially other) assets are contributed may similarly require notification pursuant to the EUMR. To the extent the EC identifies competition concerns regarding a concentration, the parties may seek to offer relevant remedies, including divestiture or licensing of IPRs.

II YEAR IN REVIEW

On 14 September 2022, the General Court of the Court of Justice of the European Union (GC) largely upheld the EC's 2018 *Android* decision.² As part of that decision, the EC found that Google illegally restricted original equipment manufacturers' (OEMs') distribution of devices running open-source versions of Android. The case strengthens the principles of open-source licensing by imposing limits on the restrictions a dominant company can impose on licensees that affect the distribution of competing forked versions of their open-source software.

Also on 14 September, the EU adopted the Digital Markets Act (DMA), an EU regulation aimed at regulating the behaviour of digital gatekeepers.³ The DMA does not directly address gatekeepers' intellectual property rights, but some of the DMA's obligations on gatekeepers such as in relation to interoperability and the supply of information effectively sidestep the tensions between dominant firms' special responsibility not to impair effective competition and the protection of their intellectual property rights that arose in the context of the enforcement of Article 102 TFEU on abuse of dominance.

In October 2022, the EC issued a Statement of Objections to Teva Pharmaceuticals over allegations that Teva misused patent procedures by artificially extending basic patent protection over glatiramer acetate, the active ingredient in Teva's successful Copaxone multiple sclerosis treatment product. The EC objects to Teva filing and withdrawing secondary patent applications (divisional patents), thereby forcing its competitors to file new lengthy legal challenges each time and effectively delaying entry of generic or generic-like medicines. The EC also claims Teva systematically spread misleading information about a competing product.

On 17 April 2023, the EC kicked off a consultation on the functioning of the Technology Transfer Block Exemption Regulation (TTBER) and the Technology Transfer Guidelines (Guidelines), to help the Commission to decide whether it should let that Regulation expire, prolong its duration or prepare a revised Regulation and related guidelines.

On 27 April 2023, the EC published a proposal for a Regulation on standard-essential patents (SEPs).⁴ The proposed regulation would seek to pre-empt SEP licensing concerns, which have been addressed up to now on a case-by-case basis under EU antitrust law, by providing among other things that SEP holders would need to register their SEPs with and provide related information to the EU Intellectual Property Office (EUIPO) to be able to enforce their SEPs in the EU. The EUIPO would also offer non-binding procedures to assess the essentiality of registered SEPs and establish global aggregate royalty rates for the implementation of standards.

2 Case AT. 40099, *Google Android* (2018) and Case T604/18, *Google v. Commission*, ECLI:EU:T:2022:541.

3 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en.

4 https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents_en.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

Many restraints qualified as anticompetitive by various EU legal instruments – such as restrictions on a reseller’s freedom to determine its own resale price or restrictions on to whom or into which EEA territory the reseller may sell – are not specific (but apply equally) to agreements containing licences to IPRs. EU competition law also provides for specific rules on restraints specific to agreements dealing with IPRs, such as technology transfer, R&D or specialisation agreements.⁵ These instruments generally provide IPR holders with leeway to impose certain restraints on licensees to preserve IPR holders’ incentives to innovate. Restrictions on a licensee’s ability to engage in research and development are generally considered anticompetitive. Below, we focus on the application of EU competition law to a selected set of practices relevant to IPR.

Territorial restrictions and exhaustion

Some IPRs, such as copyright, are inherently national in scope – notwithstanding a substantial degree of uniformity resulting from international treaties and EU Directives. Right holders are, therefore, normally permitted to license their relevant rights on a national basis, and to prohibit licensees from marketing the licensed subject matter outside the licensed territory. The exhaustion doctrine limits right holders’ ability to control circulation of a good incorporating their intellectual property after the first sale of each copy within the EEA. Once a product incorporating the right holder’s IPR has first been sold in the EEA with the right holder’s consent, the right to authorise distribution of that product is exhausted, such that the right holder may not prevent the subsequent resale of that product into another Member State (parallel import). The exhaustion doctrine was extended to software distributed in digital form by the Court of Justice of the European Union (CJEU).⁶

In *Premier League*, the CJEU considered contractual restrictions in licences granted by the UK’s Premier League, which holds copyrights in broadcasts of relevant UK football matches. The Premier League had not only territorially limited the scope of its licences, but had also prohibited its licensees from selling decoder cards, used to access the licensee’s broadcasts from anywhere in the EEA, outside the licensed territory. The CJEU held that the latter restriction amounted to an unlawful restriction by object pursuant to Article 101 TFEU.

The EC has also taken issue with the agreements between Sky UK and major film studios containing restrictions on cross-border provision of pay-TV services. The EC accepted the commitments of Paramount,⁷ which were followed by commitments from other studios.⁸ The Paramount commitments, confirmed by the GC,⁹ focused on lifting various contractual clauses limiting passive sales outside the licensed territory. On appeal, the CJEU set aside the

5 The latter are subject to the Commission Regulation (EU) No. 1218/2010 of 14 December 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to certain categories of specialisation agreements. The R&D Block Exemption Regulation and the Specialisation Block Exception Regulation are undergoing the Commission’s review.

6 Case *UsedSoft v. Oracle*, ECLI:EU:C:2012:407.

7 Case AT.40023, *Cross-border access to pay-TV* (2016).

8 Case AT.40023, *Cross-border access to pay-TV* (2019).

9 Case T 873/16, *Groupe Canal + SA v. Commission*, ECLI:EU:T:2018:904.

GC's judgment and annulled the EC's decision for failing to properly take into account the effect of the commitments on third parties.¹⁰ Consequently, the EC withdrew its decision concerning all other parties¹¹ and closed its pay-TV investigation.

On 20 January 2021, the EC imposed a fine of €7.8 million on video game platform Valve and five publishers for agreeing on geoblocking consumers' access to video games. Valve's appeal before the GC¹² presents an opportunity for the EU Courts further to clarify the interplay between (the territoriality of) copyright and antitrust.

Grant-back obligations

Since 2014, exclusive 'grant-back' obligations – pursuant to which a licensee is required to license or grant back to the licensor on an exclusive basis any technology derived from or improving on that of the licensor – are excluded entirely from the scope of the TTBER. They are therefore not exempted from Article 101 TFEU and their compatibility with competition law will thus need to be assessed on an individual basis. Licensors may alternatively negotiate a grant-back provision on a non-exclusive basis, which remains exempted by the TTBER.

No-challenge clauses

The current TTBER furthermore provides for a stricter regime on clauses limiting the licensee's ability to challenge the validity of the licensor's IPRs than its predecessor. The prior TTBER did not exempt clauses prohibiting validity challenges but did exempt clauses providing for termination of the licence agreement upon the licensee challenging validity. The current TTBER no longer exempts such 'termination on challenge' clauses unless the licence agreement is exclusive; thus, clauses limiting a non-exclusive licensee's ability to challenge the validity of the licensor's IPRs will need to be assessed on an individual basis.

ii Refusals to license

The law on refusals to license IPRs by dominant companies has been established in a series of judgments by the CJEU.¹³ In short, refusals to license will be deemed lawful in most circumstances. However, a refusal to license may infringe Article 102 TFEU in certain 'exceptional' circumstances – in particular where, without an objective justification, a dominant firm refuses a licence that proves indispensable for rivals seeking to innovate or introduce new products, such that the refusal risks eliminating effective competition in the same or an adjacent market. While the GC's judgment in *Microsoft* appeared to leave some leeway for dominant firms to demonstrate that a refusal to license is objectively justified, in particular by showing that imposing a duty to license would undermine the firm's incentives to innovate, the type of evidence required for this purpose is not entirely clear. The GC dismissed Microsoft's argument that its incentives to innovate would be diminished merely because the subject matter to which rivals sought access was protected by IPRs.

10 Case C132/19 P, *Groupe Canal + SA v. Commission*, ECLI:EU:C:2020:1007.

11 Case AT. 40023, *Cross-border access to pay-TV* (2021).

12 Case T-172/21, *Valve v. Commission*.

13 See, Case C-7/97, *Bronner*, ECLI:EU:C:1998:569; C-418/01, *IMS Health*, ECLI:EU:C:2004:257; Case T-201/04, *Microsoft v. Commission*, ECLI:EU:T:2007:289.

iii Unfair and discriminatory licensing

Certain licensing terms imposed by dominant firms may be deemed unfair or discriminatory and as such could infringe Article 102(a) TFEU. A number of cases have dealt with alleged excessive pricing by dominant right holders. Nonetheless, excessive pricing cases remain relatively rare because of the difficulty of establishing an appropriate counterfactual royalty in a but-for competitive market. The EC pursued S&P for alleged excessive royalties for securities identification numbers that S&P claimed were protected by copyrights. The EC preliminarily rejected S&P's claims of copyright protection of these numbers, as it considered that individual numbers are too trivial or not original enough to constitute material that can be subject to copyright. The EC's investigation into Qualcomm's royalty fees for a portfolio of patents, including SEPs pertaining to telecommunications technology, was closed without a finding of infringement. In the pharmaceutical industry, the EC accepted Aspen's commitments to reduce prices of six off-patent medicines concluding, inter alia, that the costs of innovative R&D are deemed to have been recouped after patent expiry.¹⁴ The CJEU clarified the methods for evaluation of excessive prices of IP licences, confirming that a method based on a comparison of prices applied in other Member States (i.e., not taking into account costs incurred) can also be appropriate in determining whether a price is excessive.¹⁵ The CJEU also clarified its stance in relation to certain price-setting methods by collecting societies.¹⁶

Discriminatory licensing practices may be found where a dominant licensor unjustifiably applies different terms to similarly situated parties or equal terms to different circumstances. Thus, for example, charging royalties on all of a licensee's products regardless of whether or not the products actually implement the dominant licensor's IPRs can constitute an abuse.¹⁷ A dominant trademark licensor was found to have committed an abuse by charging licensees a higher licensing fee when they sourced their trademark-bearing products from a rival of the dominant company instead of the dominant company itself.¹⁸ Conversely, no abuse will be established where different terms are applied in sufficiently different circumstances.¹⁹

iv Patent pooling

A patent pool is a combination of complementary patents from multiple right holders licensed to third parties. The current TTBER Guidelines provide for an explicit safe harbour exempting certain patent pool arrangements from antitrust scrutiny. The safe harbour applies to patent pools that, inter alia, pool only essential technologies and ensure that non-essential technologies are removed from the pool. Essential technologies are technologies that are necessary (as opposed to merely optional) to implement the technology to which the pool pertains, and for which no substitutes exist inside the pool. Furthermore, the patent pooling arrangement must provide for fair, reasonable and non-discriminatory (FRAND) licensing terms, leave contributors free to license their technologies independently and preserve

14 Case AT.40394, *Aspen*.

15 Case C177/16, *Autortiesību un komunikācijai konsultāciju aģentūra*, ECLI:EU:C:2017:689.

16 Case C372/19, *SABAM*, ECLI:EU:C:2020:959.

17 See, for example, *Microsoft undertaking*, XXIVth Report on Competition Policy (1994), p.364 (Microsoft's standard 'per processor' and 'per system' licences, which required a minimum royalty to be paid to Microsoft by licensees, regardless of actual use of Microsoft products).

18 Case C385/07, *Duales System Deutschland*, OJ [2001].L 166/1.

19 Case AT.39913, *LED*, Commission Decision rejecting the complaint, Paragraph 73.

their freedom to develop competing technologies, leave parties free to challenge validity and infringement, and safeguard against the exchange of strategic information between contributors. Patent pools that do not meet the criteria of the safe harbour must be assessed individually based on the factors set out in the TTBER Guidelines.

v Software licensing

The most common form of IP protection for software is copyright law, and many software licences, therefore, take the form of a copyright licence. The EU Software Directive has harmonised many aspects of copyright law across Member States. Among other things, the Directive prescribes mandatory copyright exceptions pursuant to which licensees can reverse-engineer a computer program in the interest of establishing interoperability. These exceptions were adopted because of competition concerns that could arise were right holders able to prevent rivals from interoperating with their computer programs or from interoperating with other programs.

Software licences between undertakings may be subject to Article 101 TFEU, in which case the above-mentioned rules on anticompetitive restraints would generally apply. The TTBER covers a small subset of software licences, namely those agreements pursuant to which software is licensed to enable the licensee to produce goods or services.²⁰ The TTBER exempts covered licence agreements from antitrust scrutiny provided that the parties' market shares do not exceed the TTBER market share thresholds and the agreement does not contain any hardcore restrictions.

The vast majority of software licences, however (e.g., distribution licences and end-user licence agreements in contexts other than production) are not covered by the TTBER. Indeed, the TTBER does not apply to agreements 'the purpose of which is the mere reproduction and distribution of software copyright-protected products'.²¹ Such agreements are governed by the VBER and the Guidelines on Vertical Restraints. On 10 May 2022, the EC adopted updated versions of the VBER and Guidelines on Vertical Restraints.²²

vi Trademark licensing

Competition issues in trademark licensing arise frequently because of the natural desire of licensors to control the exploitation of their marks by third parties and ensure such use does not conflict with the licensor's own business.

The following provisions are examples of terms that may occur in trademark licences and that may raise competition concerns:

- a* restricting a licensee who is licensed for only part of the EEA from supplying in response to unsolicited orders from EEA territories that are outside the licence territory, as opposed to merely restricting active marketing elsewhere in the EEA;²³
- b* absolute restrictions on the licensee's ability to challenge the validity of the licensed rights; and
- c* where a licensor and a licensee are competitors in the relevant market, information-sharing provisions that may be included in trademark licences in the context of the licensor's exercise of quality control. This will require detailed analysis.

20 Technology Transfer Guidelines, Paragraph 63.

21 See recital 7 to the TTBER.

22 Commission Regulation (EU) 2022/720 of 10 May 2022 and the related Guidelines on vertical restraints.

23 See, for example, Case AT. 40433, *Film merchandise*; Case AT. 40432, *Character merchandise*.

Coexistence agreements are agreements between unrelated owners of similar brands regulating each party's use and registration of its marks in a manner that the parties consider will avoid confusion. Restrictions on challenging rights require careful consideration, especially with respect to challenges to rights based on non-use.

IV STANDARD-ESSENTIAL PATENTS

A SEP is a patent that has been declared essential for implementing a technical standard adopted by a standard-setting organisation (SSO). SSOs generally require members to disclose patents that are or may be essential to the standard under development and to commit to license these SEPs on FRAND terms. The EC's Horizontal Guidelines explain FRAND commitments as a means of ensuring that IPR holders do not hinder the implementation of a standard 'by refusing to license or by requesting unfair or unreasonable fees after the industry has been locked-in to the standard or by charging discriminatory royalty fees'.²⁴

It is commonly accepted that standards are beneficial for the economy, allowing for a common technological specification to be established, facilitating interoperability and fostering innovation.²⁵ However, uncertainty as to how to apply EU competition law to the exercise of SEPs has led to a fierce debate in Europe.

Enforcement in the EU has centred on whether and in which circumstances seeking an injunction for a SEP against an alleged patent infringer constitutes an abuse of dominant position under Article 102 TFEU. The EC's infringement decision in *Motorola*, commitments decision in *Samsung* and the CJEU ruling in *Huawei Technologies Co Ltd v. ZTE Corp*²⁶ have shed light on the theory of 'patent hold-up' through the threat or enforcement of injunctions. Other EU enforcement considered how rules on excessive pricing and patent ambush apply to the SEP context.

In January 2021, the EC published its long-awaited SEP Expert Group report on Licensing and Valuation of SEPs. Following on from the SEP Expert Group report, on 14 February 2022 the EC launched an impact assessment and opened a public consultation on a new framework for SEPs, the aim of which is to increase legal certainty and transparency around the licensing of SEPs.²⁷ Both these initiatives eventually led to the publication of an EC proposal for a Regulation on standard essential patents (SEP Regulation) on 27 April 2023.²⁸ Under the EC's proposal a 'competence centre' at the EUIPO would be set up to act as a clearinghouse for SEP issues. The competence centre would be tasked with: (1) maintaining a register of SEPs; (2) assessing the essentiality of SEPs; (3) administering aggregate FRAND royalty determinations; and (4) administering individual FRAND rate determinations. However, the EC's proposal is highly controversial and will likely serve as

24 Horizontal Guidelines, Paragraph 287. See also the draft revised Horizontal Guidelines that were published for consultation in March 2022, available at ec.europa.eu/competition-policy/public-consultations/2022-hbers_en.

25 See, for example, Horizontal Guidelines Paragraph 308; Case AT.39985, *Motorola*, Paragraph 46; and Regulation (EU) No. 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation, recital 3.

26 Case C-170/13, *Huawei Technologies*, ECLI:EU:C:2015:477.

27 ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13109-Intellectual-property-new-framework-for-standard-essential-patents_en.

28 https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents_en.

a source of debate between licensees and SEP holders.²⁹ The EC proposal is still subject to changes as it goes through the legislative process before the Council of the European Union and the European Parliament.

i Market definition and dominance

The conduct of a SEP holder will only be found to infringe Article 102 TFEU if the SEP holder enjoys a dominant position on the relevant market. In practice, SEP holders will generally be found dominant where the SEP relates to widely used standards, where the EC's approach is that each SEP is a relevant market.

In *Google/MMI*, the EC held that each SEP constituted a separate relevant technology market on its own because it could not be circumvented or substituted.³⁰ In the EC's view, such a narrow market definition was warranted in particular where the standard on which the SEP reads cannot be substituted by other standards.³¹ This approach leads to each SEP holder having a 100 per cent market share of a narrowly defined market.

Although EC Guidance states that there is no presumption of dominance for SEP holders, in practice SEP holders with patents reading on widely used standards – for which alternatives are limited or non-existent – will likely face a finding of dominance and will be challenged to demonstrate that they face competitive constraints that prevent them from exercising market power notwithstanding their 100 per cent market share.

ii Injunctions

The CJEU judgment in *Huawei* is the leading EU case setting out the circumstances in which the seeking and enforcing of injunctions for FRAND-encumbered SEPs against an alleged infringer will be deemed contrary to Article 102 TFEU. It is in principle possible for a SEP holder to infringe Article 102 TFEU by seeking an injunction for FRAND-encumbered SEPs. The CJEU noted that the exercise of exclusive IP rights has been found to involve abusive conduct only in exceptional circumstances. The CJEU thus considered that the standard-setting context, which renders SEPs indispensable, and the irrevocable FRAND commitment as a condition on which the patent holder's patent became incorporated into the standard, qualified as exceptional circumstances within the meaning of the well-established case law. The CJEU found that the FRAND commitment created legitimate expectations by third parties that a licence would be available to them, which made a refusal to license and (by extension) the seeking of an injunction a potential abuse of a dominant position.

The CJEU defined the circumstances in which an injunction for SEPs would be permissible balancing two opposing interests: that of a potential licensee with the legitimate expectation created by the FRAND commitment that the SEP holder would provide a licence,

29 For more information, see this Clifford Chance client briefing: www.cliffordchance.com/insights/resources/hubs-and-toolkits/talking-tech/en/articles/2021/04/eu-commission-on-frand.html.

30 Case COMP/M.6381, *Google/MMI*, Paragraph 54. This is an EC merger decision in which the EC cleared the merger but made broad *obiter dicta* about the possibility that SEPs confer dominance and about the potential competition concerns raised by the exercise of SEPs.

31 In *Motorola*, the EC found that the GPRS standard, could not be substituted by any other mobile standards, and, given that GPRS is the most basic technology in use in mobile networks, on top of which 3G and 4G operate – GPRS was essential even where 3G and 4G networks were also available. This reasoning is consistent with the EC's preliminary findings in *Samsung*, though in relation to a different standard (the UMTS (3G) standard).

against that of the SEP holder to obtain FRAND remuneration for the use of its patents. The CJEU determined specific steps to be followed to ensure that seeking an injunction does not amount to an abuse of a dominant position.

On 29 November 2017, the EC published a Communication entitled ‘Setting out the EU approach to Standard Essential Patents’.³² It provides additional guidance in the form of behavioural criteria used to assess whether a SEP licensee can be considered willing to enter into a licence on FRAND terms. While the guidance provided helpful clarifications, there remains substantial uncertainty around the definition of FRAND.

iii Choice of licensing level in the supply chain

To date, there is no definitive ruling from the EC or the European Courts on whether SEP holders must license component makers or can choose to require licences from the producers of the end product. A group of German car manufacturers and component producers filed a complaint against Nokia with the EC over its demand for licences in relation to in-car 4G SEPs from them rather than the component manufacturers, but the complaint was withdrawn after the complainants settled and agreed to take licences. In the Impact Assessment accompanying the EC’s April 2023 proposal for an SEP Regulation the EC explains that each industry concerned should determine the appropriate level of licensing to avoid issues of ‘double dipping’ (i.e., collecting royalties twice for the same SEP).³³

iv Patent ambush

A patent ambush occurs when an SEP holder deliberately hides the fact that it holds essential IPRs and asserts these essential IPRs only after the standard has been agreed upon. Because other undertakings are ‘locked in’ to use the standard once it is adopted, the patent holder will be able to extract higher royalties, allowing it to gain market power *ex post*. The EC’s Horizontal Guidelines require ‘good faith disclosure’ of IPRs that might be essential for the implementation of a standard under development.³⁴

The EC’s commitment decision in *Rambus* suggests that patent ambush could constitute an abuse. The EC posited that Rambus’ deliberate and strategic failure to disclose its SEPs undermined confidence in the standard-setting process and resulted in supra-competitive royalties. The EC did not establish that Rambus had indeed abused a dominant position but instead made legally binding commitments offered by Rambus pursuant to which it offered to negotiate five-year licences and introduced a maximum royalty rate.³⁵

To minimise the risk of patent ambush, the European SSOs – in collaboration with the EC³⁶ – have all adopted IPR policies that impose, inter alia, an obligation on SEP holders

32 ‘Setting out the EU approach to Standard Essential Patents’, available at: ec.europa.eu/docsroom/documents/26583.

33 https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents_en.

34 Horizontal Guidelines, Paragraph 286.

35 Case COMP/38.636, *Rambus*, Paragraph 71.

36 For example, the European Telecommunications Standardisation Institute changed its standard-setting rules to strengthen the requirement for early disclosure of essential IPRs, after the EC had expressed concerns that these rules did not sufficiently protect against the risk of patent ambush (Press Release 12 December 2005, IP/05/1565, [europa.eu/rapid/press-release_IP-05-1565_en.htm](https://ec.europa.eu/rapid/press-release_IP-05-1565_en.htm)).

to disclose their SEPs. The risk of patent-ambush is also addressed in the EC's proposal for an SEP Regulation, which would provide for an obligation on SEP holders to register their SEPs to be able to enforce them in the EU.

v Excessive pricing of SEPs

An SEP holder may also engage in abusive conduct by licensing its essential patents on supra-FRAND terms. Such excessive pricing amounts to a breach of the SEP holder's FRAND commitment and could be considered an abuse of dominance.

However, by closing its investigation in *Qualcomm*,³⁷ the EC passed up the only opportunity thus far to decide whether 'mere' supra-FRAND pricing of SEPs can constitute an abuse of dominance. Instead, it noted that the case had raised 'complex' issues and that regulators should be 'careful about overturning commercial agreements'.³⁸ *Qualcomm* demonstrates the difficulty of pursuing supra-FRAND pricing as a purely exploitative abuse. Indeed, despite the EC's Horizontal Guidelines providing some guidance on potential methods,³⁹ it remains difficult to establish what constitutes a FRAND rate. Under the EC's April 2023 proposal for a FRAND regulation, SEP holders and implementers would be able to request that a 'competence centre' at the EUIPO propose a conciliator or expert to mediate and provide a non-binding expert opinion on a global aggregate royalty. The proposal provides for publication of the expert opinions; this measure, if ultimately adopted, might help inform the EC's assessment of excessive pricing claims under EU competition law.

The EC has previously considered that the threat or act of seeking injunctions has the potential to anticompetitively exclude, as well as exploit (through eliciting supra-FRAND royalty rates) potential licensees.⁴⁰ At this point, it is not clear how the EC would deal with a pure excessive pricing complaint relating to SEPs.

V INTELLECTUAL PROPERTY AND MERGERS

Under the EUMR, the EC assesses whether a notified concentration would lead to a significant impediment to effective competition, including through creating or strengthening a dominant position in the EEA.⁴¹

Below, we focus on when the change of control of IP assets, such as patents, know-how, trademarks and copyrights may trigger EU merger control, and when the parties may be required to modify a proposed transaction and, in particular, when IPRs may be subject to divestment or licensing by the parties for the transaction to be cleared.

37 Case COMP/39.247, *Texas Instruments/Qualcomm*.

38 EC, MEMO/09/516, Antitrust: Commission closes formal proceedings against Qualcomm, available at europa.eu/rapid/press-release_MEMO-09-516_en.htm.

39 Various methods, such as, for example, comparing the licensing fees charged for the relevant patents in a competitive environment before the industry has been locked into the standard (*ex ante*) with those charged after the industry has been locked in (*ex post*) can be used to assess whether the fees bear a reasonable relationship to the economic value of the IPR. See, Horizontal Guidelines, Paragraphs 289 and 290. See also the draft Revised Horizontal Guidelines, Paragraphs 48 and 487.

40 See Case AT.39985, *Motorola*; and Case COMP/C-3/39.939, *Samsung Electronics*.

41 EUMR, Article 2(2).

i Transfer of IP rights constituting a merger

The acquisition of intangible assets, such as brands, patents or copyright, may be considered a concentration within the meaning of the EUMR if the assets constitute a business with a market turnover. A transfer of licences for brands, patents or copyrights, without any additional assets may constitute a concentration only if such licences are exclusive ‘at least in a certain territory’ and transfer the turnover-generating activity. The granting of licences and the transfer of licences must be effected on a lasting basis.⁴² However, ‘lasting’ need not mean the transfer is permanent.

The EC confirmed this approach in *Microsoft/Yahoo! Search Business*, finding that Microsoft’s proposed acquisition of a 10-year exclusive licence to Yahoo!’s core search technologies amounted, together with the transfer of employees and customers to Microsoft, to the acquisition of a business to which market turnover can be attributed.⁴³

A creation of a joint venture is a concentration within the meaning of the EUMR only if the joint venture has sufficient resources, including intangible assets such as IPRs, to perform, on a lasting basis, ‘all the functions of an autonomous economic entity’.⁴⁴ Thus, in *PR\$M/STIM/GEMA/JV*, the EC concluded that the creation of a joint venture for cross-border online music licensing and copyright administration services created by three UK, Swedish and German music collecting societies constituted a concentration as the parties provided the joint venture with sufficient resources to operate independently as a business, including all IPRs held by them.⁴⁵

The extension of the scope of an existing joint venture through the significant addition of IPRs may also be considered a new concentration.⁴⁶

ii Remedies involving divestitures of intellectual property

If the EC concludes that a notified concentration raises serious doubts as to its compatibility with the internal market, the parties may seek to resolve the EC’s concerns and obtain regulatory clearance of their concentration by offering commitments (or remedies).⁴⁷

The EC draws a distinction between two types of remedies that may involve IP divestitures or exclusive licensing; and granting access to IPRs to third parties on a non-discriminatory basis.

42 EC Consolidated Jurisdictional Notice under Council Regulation (EC) No. 139/2004 on the control of concentrations between undertakings (Consolidated Jurisdictional Notice), Paragraphs 24 and 18.

43 Case COMP/M.5727, *Microsoft/Yahoo! Search Business*, Paragraphs 5 and 14–19. Similarly, in a decision falling within the scope of the previously applicable Council Regulation (EEC) No. 4064/89, the EC found that the acquisition of assets, including a reputable brand name, constituted a concentration within the meaning of the applicable Regulation: see case No. IV/M.890, *Blokker/Toys ‘R’ Us (II)*, Paragraphs 12–16.

44 EUMR, Article 3(4) and Consolidated Jurisdictional Notice, Paragraph 94.

45 Case COMP/M.6800, *PR\$M/STIM/GEMA/JV*.

46 Consolidated Jurisdictional Notice, Paragraphs 106–108.

47 EUMR, Articles 6(2) and 8(2).

Divestiture or exclusive licensing of IPRs

The EC's decisional practice confirms its preference for divestitures as a suitable remedy, as such remedies eliminate the possibility of an ongoing relationship between the parties and their competitors.⁴⁸ IPRs, such as brands or trademarks relating to the divestment business, are often included in the remedy package to enable the acquirer of the divestment business to compete effectively against the merging parties.⁴⁹

Licensing arrangements may be deemed a suitable alternative in certain cases in which a divestiture of IPRs would not be feasible or practicable – for example, because of the characteristics of the technology or rights concerned, or where it would obstruct ongoing research – provided they are as effective as divestitures in enabling the licensee to compete with the merged entity.⁵⁰ In *Mastercard/Nets*,⁵¹ the EC accepted commitments that consisted of the granting of an EEA-wide (or global at the option of the remedy taker) licence to Nets' Realtime 24/7 technology for account-to-account core infrastructure services for interbank payment schemes (A2A CIS), with which Nets was participating in A2A CIS tenders. The licence was exclusive within the EEA and non-exclusive outside the EEA. The remedies also included the transfer of all necessary personnel and services, such as consultancy services and transitional support services. In addition, in *GlaxoSmithKline/Novartis Vaccines Business (excl. Influenza)/Novartis Consumer Health Business*,⁵² the EC accepted the granting of an exclusive and perpetual trademark licence for the Nimenrix vaccine to the purchaser as opposed to a full trademark divestiture, given the importance of the IPRs to the merged entity's retained business.⁵³

Finally, the EC sometimes accepts rebranding commitments, which entail the granting of an exclusive, time-limited licence to use a brand.⁵⁴ During the time of the exclusive licence, the licensee is expected to develop its own new brand and capture the licensor's market share and maintain it via rebranding or substitution by another trademark.⁵⁵ For example, in *GlaxoSmithKline/Pfizer Consumer Healthcare Business*, GlaxoSmithKline granted the purchaser of the divestment business a temporary licence to certain trademarks to allow the purchaser to meet the regulatory requirements for marketing the products under its own trademarks.⁵⁶ Licences for rebranding purposes may also be granted as part of commitments

48 Case COMP/M.7737, *Honeywell/Elster*; Case COMP/M.7585, *NXP Semiconductors/Freescale Semiconductor*; Case COMP/M.7559, *Pfizer/Hospira*; Case COMP/M.7499, *Altice/PT Portugal*; Case COMP/M.7420, *ZF/TRW*. See also EC notice on remedies acceptable under Council Regulation (EC) No. 139/2004 and under Regulation (EC) No. 802/2004 (the Remedies Notice).

49 See, for example, Case COMP/M.9274, *GlaxoSmithKline/Pfizer Consumer Healthcare Business* and Case COMP/M.9408, *Asa Abløy/Agta Record*; Case COMP/M.9779, *Alstom/Bombardier Transportation*.

50 Remedies Notice, Paragraph 38.

51 Case COMP/M.9744, *Mastercard/Nets*.

52 Case COMP/M.7276, *Glaxosmithkline/Novartis Vaccines Business*.

53 *ibid.*, Paragraphs 366 and 370–371.

54 Case COMP/M.7435, *Merck/Sigma-Aldrich*; Case COMP/M.9546, *Gategroup/LSG European Business*.

55 Remedies Notice, Paragraphs 39–42.

56 Case COMP/M.9274, *GlaxoSmithKline/Pfizer Consumer Healthcare Business*, Schedule 1 of the Commitments.

in the other direction, where the purchaser of the divestment business is granted a full licence, with a temporary licence back to the seller of the business for the purpose of rebranding products that were not divested.⁵⁷

Access to IPRs

The EC's competition concerns may also be resolved if the parties commit to grant, on a non-discriminatory and transparent basis, access to IPRs to third parties.⁵⁸ Such an alternative remedy must have effects at least equivalent to a divestiture of the IPRs.⁵⁹

This type of remedy may, for instance, require parties to commit to the disclosure of certain necessary information, such as information required for the interoperability of different systems or equipment, or to the granting of non-exclusive licences to their competitors on terms that would not distort competition. For instance, the EC cleared the acquisition of Bonnier Broadcasting by Telia subject to the commitment that post-transaction Telia would license to third parties TV channels and ancillary rights, network video recorder rights, and over-the-top (OTT) rights on FRAND terms.⁶⁰ On 17 December 2020, the EC cleared Google's acquisition of Fitbit subject to multi-faceted commitments, which included a commitment on the part of Google to continue to license for free to Android original equipment manufacturers, including those of wearable devices, the public APIs covering all the core functionalities that the devices need to interoperate with an Android smartphone.⁶¹ In the same spirit, on 27 January 2022, the EC conditionally cleared the acquisition of Kustomer by Meta (formerly Facebook) subject to commitments by Meta to guarantee free and equal access to its publicly available APIs for its messaging channels (WhatsApp, Messenger and Instagram) to competitors of Kustomer.⁶²

VI OTHER ABUSES

While abusive conduct can emerge in any industry relying on IP rights, we focus on the pharmaceutical sector, which has generated the vast majority of precedents. The EC 2009 report on Public Sector Information (PSI) identified the following types of conduct as part of the 'toolbox' that originator pharmaceutical companies (i.e., companies marketing patented branded products) may use to delay or restrict the entry of generic medicines (i.e., non-branded medicines, which are equivalent to a branded drug in dosage, safety, strength, etc.).⁶³

57 Case COMP/M.7737, *Honeywell/Elster*, Paragraphs 265–269; Case COMP/M.7292, *DEMB/Mondelez/Charger OpCo*, Paragraphs 702–706, in which the EC additionally stresses the importance of ensuring the proportionality of remedies to the relevant competition concern identified by the EC.

58 Remedies Notice, Paragraphs 62 and 65.

59 Remedies Notice, Paragraph 61.

60 Case COMP/M.9064, *Telia Company/Bonnier Broadcasting Holding*.

61 Case COMP/M.9660, *Google/Fitbit*. The EC's press release is available at ec.europa.eu/commission/presscorner/detail/en/IP_20_2484. See also Case COMP/M.7822, *Dentsply/Sirona*, where the parties committed to extend Sirona's existing licensing agreements with its competitors.

62 Case COMP/M.10262, *Meta/Kustomer*. The EC's press release is available at ec.europa.eu/commission/presscorner/detail/en/ip_22_652.

63 EC Communication, Executive Summary of the Pharmaceutical Sector Inquiry Report (8 July 2009), 3.2.1 ff.

i Sham or vexatious IP litigation

Under Article 102 TFEU, in specific circumstances, dominant companies may be deprived of the right to adopt conduct that would be unobjectionable if adopted by non-dominant companies.⁶⁴ Under exceptional circumstances, instigating litigation can amount to an abuse of dominance.

In its 1998 *ITT Promedia* ruling, which it upheld in *Protégé International*,⁶⁵ the GC confirmed the exceptional nature of ‘predatory litigation’ and established that bringing legal proceedings may be abusive under the following two cumulative conditions:

- a* legal proceedings cannot reasonably be considered as an attempt to assert rights and can, therefore, only serve to harass the other party; and
- b* the action in question is conceived in the framework of a plan aimed at eliminating competition.

The GC confirmed that the actual validity or existence of the rights asserted is irrelevant in determining whether the court action is abusive. Instead, the critical factor is whether the legal action was intended to assert what the undertaking could, at that point in time, reasonably consider to be its rights.

The GC further ruled that a claim for the performance of a contractual obligation can be abusive if it ‘exceeds what the parties could reasonably expect under the contract or if the circumstances applicable at the time of the conclusion of the contract have changed in the meantime’.⁶⁶

The CJEU’s ruling in *Genentech Inc v. Hoechst GmbH*⁶⁷ provided insight into the circumstances under which EU competition law precludes parties from enforcing patent licensing agreements and requiring royalties, even after the invalidation of the patent. An agreement to pay a licence fee nevertheless remains payable in the case of invalidity, revocation or non-infringement provided that the licensee remains free to terminate the agreement by giving reasonable notice.

ii Misuse of the patent process

In situations where a dominant firm seeks fraudulently to obtain patent protection, or where it seeks artificially to expand the effective scope or term of patent protection, Article 102 TFEU may apply.

The key EU precedent remains the CJEU’s *AstraZeneca* judgment,⁶⁸ confirming a GC judgment and an EC decision finding that AstraZeneca had abused its dominance in two ways:⁶⁹

- a* making false representations to patent authorities in various EEA Member States to obtain or maintain supplementary protection certificates (SPCs) for its anti-ulcer medicine, Losec; and

64 Case T-111/96, *ITT Promedia v. European Commission*, ECLI:EU:T:1998:183, Paragraph 139.

65 Case T-119/09, *Protégé International v. Commission*, ECLI:EU:T:2012:421.

66 Case T-111/96, *ITT Promedia v. European Commission*, ECLI:EU:T:1998:183, Paragraph 140.

67 Case C-567/14, *Genentech Inc v. Hoechst GmbH*, ECLI:EU:C:2016:526.

68 Case C-457/10 P, *AstraZeneca AB and AstraZeneca plc v. European Commission*, ECLI:EU:C:2012:770.

69 Case COMP/A. 37.507/F3, *AstraZeneca*.

- b submitting requests to deregister the marketing authorisation for Losec capsules in combination with the withdrawal of Losec capsules from the market and the launch of ‘new-generation’ Losec tablets, thereby preventing generic competitors from relying on that marketing authorisation to enter the market.

SPCs effectively extend patent protection for the active substance in a drug to compensate for the time the right holder loses during mandatory marketing authorisation processes. In applying for SPCs, AstraZeneca had provided misleading information about the timing of obtaining its first marketing authorisation in the EU, which could result in granting of longer SPC protection.

The CJEU held that where behaviour is objectively of such a nature as to restrict competition, the question of whether it is abusive in nature cannot depend on the contingencies of the reactions of third parties. Thus, the fact that certain public authorities were not misled by false representations did not negate the abusive nature of AstraZeneca’s conduct.⁷⁰

AstraZeneca’s second abuse marked the first time the EC dealt with ‘evergreening’ or ‘product-hopping’ practices.⁷¹ These practices involve incremental reformulations of first-generation drugs, presented as innovations to preserve patent protection, typically through the launch of a second-generation product.

AstraZeneca’s attempt to deregister Losec capsules affected generic entry in two ways. First, suppliers of generic alternatives could no longer use Losec capsules as a reference product to benefit from the abridged marketing authorisation process, which allows manufacturers of generics to refer to the results of the originator’s pharmacological and toxicological tests and clinical trials. Second, demand was shifted away from generics and towards the new (patent-protected) Losec tablets before generics could enter the market, thus reducing their viability upon entrance.

The CJEU ultimately found that deregistering Losec’s market authorisation did not qualify as competition on the merits. AstraZeneca had failed to show that its deregistration of Losec marketing authorisations were commercially necessary (or even useful).⁷²

On 4 March 2021, the EC opened a formal investigation against Teva to determine whether it may have abused a dominant position by artificially extending the market exclusivity of its multiple sclerosis drug Copaxone. On 10 October 2022, the EC sent Teva a Statement of Objections outlining its preliminary findings. According to the EC, Teva breached EU antitrust rules by strategically filing and withdrawing divisional patents covering Copaxone’s active pharmaceutical ingredient,⁷³ thereby repeatedly delaying entry of generic competition. In addition, the EC also accuses Teva of pursuing a communication campaign creating a false perception of health risks associated with the use of a competing product, thereby hindering its market entry and uptake.⁷⁴

70 Case T-321/05, *AstraZeneca v. Commission*, ECLI:EU:T:2010:266, Paragraph 360.

71 These practices were also identified in the EC’s Pharmaceutical Sector Inquiry. See EC Communication, Executive Summary of the Pharmaceutical Sector Inquiry Report (8 July 2009), 3.2.6.

72 Case T-321/05, *AstraZeneca v. Commission*, ECLI:EU:T:2010:266, Paragraph 812.

73 Divisional patents originate from a broader ‘parent’ patent and may cover significantly overlapping inventions.

74 The EC’s press release on the Statement of Objections is available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_22_6062.

iii Anticompetitive settlements of IP disputes

Settlements between patent holders and firms challenging patent validity are common and generally recognised as efficient tools to resolve patent disputes: they are cost-effective and provide legal certainty to the parties.⁷⁵

Patent settlements between originator pharmaceutical companies and would-be generic entrants have come under antitrust scrutiny. In a typical patent settlement scenario, a generic pharmaceutical company seeks to enter a market still protected by an originator company's patent. The generic company challenges the validity and infringement of the originator's patent, with both challenges having an uncertain outcome. The originator and the generic supplier settle their dispute with the generic supplier agreeing not to enter before a specific date – typically later than the date of patent expiry – in exchange for some form of payment by the originator. Such settlements are known as 'reverse payment patent settlements' or 'pay-for-delay settlements'. They benefit the originator, who reaps additional profits from prolonged market exclusivity, while it compensates the generic company.

The 2009 PSI Report identified patent settlements that limit generic entry, and cumulatively involve value transfers from originators to generic companies as warranting particular antitrust scrutiny.⁷⁶ European case law on pay-for-delay cases has developed significantly in the past few years, including CJEU rulings in 2020 and 2021.⁷⁷

In *Lundbeck*, the EC provided its first analysis of pay-for-delay agreements.⁷⁸ The EC found that patent settlements between originator Lundbeck and various companies intending to market generics of citalopram had as their object the restriction of competition in violation of Article 101 TFEU.

The GC confirmed the EC's view that such agreements can constitute by-object infringements⁷⁹ if combined with factors such as reverse payments to the potential generic entrants. The GC found these agreements replace the uncertainty of litigation over the validity and infringement patent with the certainty that the generic companies will not enter the market. The GC analogised Lundbeck's agreements to market exclusion agreements.

The GC also ruled that the restrictions contained in Lundbeck's agreements were not objectively necessary to protect Lundbeck's IP rights (which would justify these restrictions under the ancillary restrictions test).⁸⁰

75 See M Besen, 'Antitrust Aspects – Misuse of Patents', in C Milbradt (ed), *Patent Litigation in Germany* (GLP, 2011), p. 282.

76 EC Staff Working Document, Technical Annex to the Commission Communication Part 1 (8 July 2009) available at: ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff_working_paper_part1.pdf, Paragraphs 270, 277 ff. Commission Communication, Executive Summary of the Pharmaceutical Sector Inquiry Report (8 July 2009), 3.2.4.

77 Case C-307/18, *Generics (UK) Ltd and Others v. Competition and Markets Authority*, ECLI:EU:C:2020:52 and Case C-591/16 P, *Lundbeck v. Commission*, ECLI:EU:C:2021:243, respectively.

78 Case COMP/AT.39226, *Lundbeck*.

79 A by-object infringement concerns conduct that is, by its very nature, harmful to the functioning of competition without the need to demonstrate (actual or potential) anticompetitive effects.

80 A contractual restriction can escape the Article 101(1) TFEU prohibition if it is ancillary to a main agreement that is itself not anticompetitive in nature and the main agreement would be impossible to carry out without the existence of the restriction in question. The fact that the main agreement would simply be rendered more difficult to implement or less profitable without the restriction is not sufficient.

Lundbeck appealed the GC's judgment to the CJEU. On 25 March 2021, the CJEU dismissed Lundbeck's appeal and upheld the GC's judgment in its entirety,⁸¹ closely following the reasoning it developed in its 2020 *Generics* judgment discussed below.⁸²

In July 2014, the EC fined originator Servier and five generic companies for having concluded patent settlements aimed at delaying entry of generic versions of the cardiovascular medicine perindopril. As in *Lundbeck*, the EC found that Servier's settlements violated Article 101 TFEU by object.⁸³ However, unlike *Lundbeck*, the EC based its infringement decision against Servier also on Article 102 TFEU as Servier had not only induced the settlements but had also acquired (scarce) technology essential to generic entry.

On appeal, the GC confirmed the EC's ruling that most of Servier's practices violated Article 101 TFEU, as they stifled entry of (more affordable) generics.⁸⁴ With respect to the settlement agreement between Servier and one of the generic companies, Krka, the GC rejected the EC's finding of an Article 101 TFEU violation, disagreeing with the argument that Servier's arrangement with Krka induced the latter to withdraw from the market. The GC, however, reversed the EC's finding of an abuse of dominance. It ruled that the EC had manifestly erred in its overly narrow assessment of market definition.⁸⁵

On 30 January 2020, the CJEU clarified, through a preliminary ruling, the conditions under which a patent settlement agreement can be found to infringe Articles 101 and 102 TFEU.⁸⁶ The case (commonly known as *Generics*) was referred to the CJEU by the UK Competition Appeal Tribunal (CAT), which had been called to rule on whether the UK Competition and Markets Authority had lawfully fined manufacturers of generic medicines and GlaxoSmithKline for delaying the entry of generic versions of paroxetine through patent settlement agreements.⁸⁷

The CAT referred to the CJEU questions on the circumstances under which a generic company and an originator can be considered potential competitors, as well as the criteria that need to be met for a settlement agreement to qualify as a 'restriction by object' and a 'restriction by effect' under Article 101 TFEU; and an abuse of dominance under Article 102 TFEU.⁸⁸

Adopting a similar reasoning as the GC in *Lundbeck*, the CJEU ruled that a generic company and an originator are potential competitors where 'it is established that the manufacturer of generic medicines has in fact a firm intention and an inherent ability to enter

81 Case C-591/16 P, *Lundbeck v. Commission*, ECLI:EU:C:2021:243.

82 Case C-307/18, *Generics (UK) Ltd and Others v. Competition and Markets Authority*, ECLI:EU:C:2020:52. See further below for a description of the CJEU's *Paroxetine* and *Lundbeck* judgments.

83 Case COMP/AT.39612, *Perindopril (Servier)*.

84 Case T-691/14, *Servier SAS and Others v. Commission*, ECLI:EU:T:2018:922.

85 This reversal amounts to a rare intervention of the traditionally deferential GC in the EC's review of market definition.

86 Case C-307/18, *Generics (UK) Ltd and Others v. Competition and Markets Authority*, ECLI:EU:C:2020:52.

87 Case CE-9531/11, *Paroxetine*, CMA. In particular, these agreements led to (1) a commitment by the generic companies not to enter the market and not to manufacture or import, or both, the generic medicines under the patent at issue, as well as not to persist in their challenge of that patent for the duration of the agreements; (2) the conclusion of a distribution agreement enabling the generic companies to enter the market with a limited quantity of generic paroxetine manufactured by GSK; and (3) the payment by GSK to the generic companies of sums of money in various forms.

88 Case C-307/18, *Generics (UK) Ltd and Others v. Competition and Markets Authority*, ECLI:EU:C:2020:52, Paragraph 21.

the market, and that market entry does not meet barriers to entry that are insurmountable.’ It needs to be determined whether, at the time when the agreement was entered into, the generic company had taken sufficient preparatory steps to enter the market within such a period of time as would impose competitive pressure on the originator.⁸⁹ The CJEU added that the existence of a patent cannot, as such, be regarded as an insurmountable barrier to entry, because it does not prevent a generic company from challenging the validity of that patent and launching its generic medicine ‘at risk’; and in the pharmaceutical sector, potential competition may be exerted before the expiry of the originator’s patent because generic companies want to be ready to enter the market as soon as that patent expires.

In the same judgment, the CJEU found that a patent settlement can be considered a restriction by object⁹⁰ where the transfers of value contained in the settlement agreement – whether pecuniary or non-pecuniary – have no explanation other than the commercial interest of the parties not to engage in competition. To that end, it must be determined whether the net gain from the value transfers is sufficiently large to encourage the generic companies not to enter. More importantly, the CJEU ruled that any pro-competitive effects arising from the agreement must be taken into account, provided that those effects are demonstrated, relevant and specifically related to the agreement at issue. However, the CJEU immediately stressed that the consideration of pro-competitive effects is merely intended to determine whether such effects are capable of giving rise to reasonable doubt that the settlement agreement causes a sufficient degree of harm to competition.

The CJEU furthermore observed that if the referring court were to find that the patent settlement agreements at issue do not constitute a restriction by object, it would need to determine how the market would operate in the absence of the agreements, to establish a ‘restriction by effect’. However, such characterisation does not require demonstrating that in the absence of the agreements at issue, either the generic company would have been successful in patent proceedings, or the parties to the agreement would have concluded a less restrictive agreement.

Finally, the CJEU confirmed that settlement agreements may amount to an abuse of dominance under Article 102 TFEU where, taking into account possible cumulative effects, the conclusion of such agreements is part of an overall contract-oriented strategy capable of having exclusionary effects (i.e., by reserving the market directly or indirectly to the originator and thus depriving consumers of the benefits of generic entry), going beyond the specific anticompetitive effects of each of the agreements that form part of that strategy.

On 26 November 2020, the EC fined Teva and Cephalon for entering into a patent settlement agreement regarding the sleeping disorder drug modafinil, whereby Cephalon induced Teva not to enter the market with a cheaper version of modafinil in exchange for a package of commercial side-deals that were beneficial to Teva and some cash payments. These commercial side deals included an agreement for Teva to supply the input material (the

89 Such steps may include measures taken to obtain the required administrative authorisations for the marketing of the generic medicine or to build up an adequate stock of the generic medicine. They may also include all legal steps undertaken by the generic company to challenge the originator’s patent.

90 Moreover, the CJEU recognised that transfers of value included in settlement agreements may be justified, in particular, where (1) the payments correspond to compensation for the costs of or disruption caused by the litigation between the generic company and the originator; (2) the payments correspond to remuneration for the actual supply of goods or services to the originator; or (3) the generic company discharges financial undertakings given by the patent holder, such as a cross-undertaking in damages (id., Paragraph 86).

active pharmaceutical ingredient or API) for modafinil to Cephalon at guaranteed prices and volumes (while Cephalon already had several API suppliers supplying it at lower prices), and a licence to modafinil-related IP rights held by Teva. The EC found that (1) these transactions had no plausible explanation other than the commercial interest of the parties not to compete in the modafinil markets; (2) the total value transfer was significant and the transactions were very attractive to Teva; and (3) it was this package of transactions and payments that induced Teva to stay out of the market for several years and, as a result, allowed Cephalon to continue charging higher prices even if the main modafinil patent had long expired.

Patent settlements are driven by the parties' commercial considerations and thus come in many forms. Attempting to delineate some overarching rules, the EC stated in *Lundbeck* that 'settlements which are based purely on each party's assessment of the strength of the patent'⁹¹ are, in principle, safe from prosecution, while limitations on the generic company's commercial autonomy achieved through 'inducements from the originator . . . aligning previously competing interests' may give rise to a by object restriction of competition.

The EC and the courts have interpreted the notions of 'limiting entry' and 'value transfer' broadly.⁹² 'Limiting entry of generic competition' could range from an absolute restriction on entry to limited forms of non-immediate or non-independent entry.⁹³ Similarly, 'value transfers' are not limited to direct monetary payments, but can also include more covert transfers of value.⁹⁴ A value transfer that cannot be adequately explained by or that considerably exceeds the value of the generic company's counter-performance will be, therefore, less easily defensible.⁹⁵

VII THE DIGITAL MARKETS ACT

The EU Digital Markets Act (DMA) was adopted in September 2022 to promote fairness and contestability in digital markets.⁹⁶ The DMA entered into force on 1 November 2022, and its purpose is to ensure a level playing field for all digital companies, regardless of their size. The regulation lays down rules for big 'gatekeeper' platforms that provide 'core platform services', such as Apple, Google and Meta. It sets out a list of 'dos' and 'don'ts' that aim to stop these companies from imposing unfair conditions on businesses and consumers. While the DMA primarily focuses on issues such as network and lock-in effects, vertical integration and data-driven advantages, it also has implications for IPRs.

Pursuant to the DMA, gatekeepers will need to allow users to switch away from their services to competitors' services. Moreover, gatekeepers will need to enable free end user data portability. Similarly, another key provision in the DMA requires gatekeepers to provide business users on their platform free real-time access to their data on the platform as well as

91 Case COMP/AT.39226, *Lundbeck*, Paragraph 659.

92 EC Staff Working Document, Technical Annex to the Commission Communication Part 1 (8 July 2009) available at: ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff_working_paper_part1.pdf, Paragraph 269.

93 For instance, entry as an exclusive distributor of the originator.

94 In *Servier*, the EC found a value transfer to have occurred because Servier granted a licence to a generic company for specific EU Member States, which, in return, agreed to cease efforts to launch its generic perindopril in all other EU national markets.

95 Case COMP/AT.39226, *Lundbeck*, Paragraph 660.

96 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en.

data generated by their end users on the platform. These provisions related to data portability and data access seem to apply to all user-generated and user-uploaded data, whether personal or non-personal, and also encompass free tools made available by the gatekeeper to facilitate the process. As a result, data that might be protected by IPRs, such as copyrighted content, software or trade secrets, could be captured.

Another provision of the DMA prescribes gatekeepers to provide access to and interoperability with operating system, hardware and software features. Furthermore, gatekeepers will be required to provide access to performance measuring tools and data for online advertisements. Gatekeeper providers of online search engines will be also required to provide competitors on FRAND terms with access to their ranking, query, click and view data.

In addition to access to IPRs, the DMA could in the extreme case lead to the break-up of digital gatekeeper platform, which could lead to divestitures of IPRs. However, such a measure would only be available to the EC as a last resort in case a gatekeeper 'has engaged in systematic non-compliance'.

The impact of the DMA on IPRs will depend on how it is implemented and enforced. While the DMA seeks to promote fairness and contestability, it will need to balance these goals with the need to respect existing IPR rules and ensure that innovation continuous to be incentivised.

VIII OUTLOOK AND CONCLUSIONS

The EU continues to be active in defining the delicate balance between IPR protection and antitrust. Although the EC and the EU courts still play a preeminent role in defining this balance, increasingly there are signs that the EU is turning to regulation to address areas of potential tension *ex ante* where previously they were defined through (often protracted) antitrust case-by-case enforcement. The DMA and the proposal for an SEP Regulation are illustrations of this trend. It can be expected that this trend will continue in the years to come.

SPAIN

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I INTRODUCTION

In Spain, intellectual property rights (IPRs), as defined in Article 1.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), are governed by the following laws:

- a* Act 1/1996 on Copyright;
- b* Act 17/2001 on Trademarks;
- c* Act 6/2015 on Protected Designations of Origin and Geographical Indications;
- d* Act 20/2003 on the Legal Protection of Industrial Designs;
- e* Act 24/2015, the Spanish Patent Act;
- f* Act 11/1988, the Legal Protection of Topographies of Semiconductor Products Act; and
- g* Act 1/2019 on Trade Secrets.

On the other side of the coin we have Act 15/2007, the Antitrust Act. As is well known, the regulation of antitrust has been at the forefront of the construction of the internal market in the European Union (EU) since the early days of the (as it was then) European Economic Community. The Antitrust Act has of course benefited from the long-standing experience of the EU in this field. It has implemented into Spanish law the standards required by the relevant EU regulations.

Treading on the footprints of Article 101 of the Treaty on the Functioning of the European Union (TFEU), Article 1 of the Antitrust Act establishes that:

[All] agreements, collective decisions or recommendations, or concerted or consciously parallel practices are prohibited, which have as their object, produce or may produce the effect of prevention, restriction or distortion of competition in all or part of the national market [. . .].

According to Paragraph 4 of Article 1, the prohibition in Paragraph 1 shall not apply to agreements, collective decisions or recommendations, or concerted or consciously parallel practices that comply with the provisions set out in the relevant EU Regulations on the application of Article 101(3) of the EC Treaty for certain categories of agreements, decisions by associations of undertakings and concerted practices.

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In the context of the interplay between IPRs and antitrust, the legal landscape would be incomplete without mentioning Commission Regulation No. 316/2014 regarding Technology Transfer Agreements (TTBER),² the Commission Guidelines developing the TTBER³ and Commission Regulation No. 1217/2010 regarding research and development agreements.⁴

Article 2 of the Antitrust Act, following Article 102 of the TFEU, introduced the general prohibition of abuses of dominant position: '1. Any abuse by one or more undertakings of their dominant position in all or part of the national market is prohibited.'

A particularity of the Antitrust Act is the prohibition of 'unfair acts' that may distort competition. In this regard, Article 3 states that 'The National Competition Commission or the competent bodies of the Autonomous Communities shall hear under the terms that this Act establishes for prohibited conducts the acts of unfair competition which affect the public interest by the distortion of free competition.' In practice, this article has not been used very frequently.⁵

Finally, in this introduction to the main highlights of the Antitrust Act, a mention must be made of Article 7 et seq, which deal with economic concentrations and the mechanisms for their control.

II YEAR IN REVIEW

One of the most noteworthy developments of the year in review has been the imposition of an around €38 million sanction on a pharmaceutical company for having allegedly abused a dominant position when embarking on alleged sham patent litigation against a third party. However, it is doubtful whether that decision will survive judicial scrutiny, as it is difficult to reconcile with the criteria laid down by the European Commission and endorsed by the Court of Justice of the European Union (CJEU) in the landmark *ITT Promedia* case.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

Like EU legislation, the Spanish Antitrust Act prohibits any anticompetitive restraints included in licence agreements. In particular, they are subject to the general prohibition of Article 1.

The Spanish Markets and Competition Commission (CNMC) (formerly the National Competition Commission (CNC)) which is Spain's administrative enforcement agency, when assessing the compatibility of licence agreements with Article 1, has followed the principles of the TTBER.

2 Commission Regulation (EU) No. 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union (TFEU) to categories of technology transfer agreements.

3 Guidelines on the application of Article 101 of the TFEU to technology transfer agreements.

4 Commission Regulation No. 1217/2010 of 14 December 2010 on the application of Article 101(3) of the TFEU to categories of research and development agreements.

5 For a discussion on the predecessor of Article 3 of Act 15/2007, the Antitrust Act, see Montaña Mora, M, 'El discutido art. 7 de la Ley de Defensa de la Competencia', in Martínez Lage, S & Petitbò Juan, A, *La Modernización del Derecho de la Competencia en España y en la Unión Europea*, Ed. Marcial Pons, 2005, pp. 285–299.

A natural arena in which to assess the potential tension between agreements with an IPR licensing or similar component and antitrust norms has been franchise agreements. For example, in the *Adidas* case, a sports shoe retailer based in Tarragona filed a complaint against Adidas, alleging that their franchise agreements contained elements that resulted in an infringement of Article 1 Antitrust Act. For example, prohibition of sales and online advertising, price fixing, prohibition of cross-sales among franchisees or other suppliers or distributors, and post-contractual non-compete clauses.

As readers may know, in the EU, vertical agreements in the form of franchise agreements are governed by Commission Regulation (EU) No. 330/2010 of 20 April 2010. In addition, the Commission has approved Guidelines to examine vertical agreements under Article 101 TFEU. In the case at hand, the CNMC examined the matter following these principles, in particular, paragraph 189 et seq of the Guidelines, which deal specifically with franchise agreements. Also, it took note of the findings reached by the German and French antitrust authorities in the parallel cases heard before them. During the investigation, it turned out that some of the practices reproached, such as price-fixing, had not been established, whereas others might have some basis. In any event, the case was ultimately settled after Adidas offered commitments that the CNMC found satisfactory. These commitments included the elimination of the post-contractual non-compete clause and the prohibition of cross-sales between distributors and between franchisees.⁶

Another interesting case in this area is a complaint filed by an association of farmers called AVA-ASAJA, against the company Carpa Dorada and Club de Variedades Vegetales Protegidas (CVVP) for having introduced a tracking system to control the origin, production and distribution of a mandarin orange variety called Nadorcott. This mandarin variety was protected as a Community Plant Variety by a Decision of 4 October 2004 of the Community Plant Variety Office (CPVO).

CVVP is a non-profit association incorporated in Valencia in 2008 whose functions include, inter alia, the representation of the interests of vegetable variety owners and the management, protection, inspection, certification and enforcement of the commercial exploitation rights on vegetable varieties, and the defence of the associates' interests against the unlawful exploitation of such varieties. For each variety, the CVVP would approve a Regulation that the associates had to follow, together with the by-laws of the Club.

In this context, one of the mechanisms introduced by CVVP to monitor how the Nadorcott mandarin was exploited was that, to obtain a licence to produce this mandarin, producers had to accept a tracking system that allowed the licensor to ensure that the mandarins were only marketed through the distributors that had adhered to the system. After conducting an investigation, the CNMC found that this was an unjustified restriction that unduly limited the distribution channels and the amount of fruit introduced into the market, thus affecting the price of this variety, which turned out to be higher than the price of other mandarin varieties. In the end, the CNMC concluded that this was a very serious infringement of Article 1 Antitrust Act and Article 101 TFEU and it imposed a fine equivalent to 5 per cent of the total turnover of all the members of the CVVP.⁷

The CVVP lodged an appeal against this decision before Spain's National Court which, in its judgment of 18 June 2015,⁸ revoked the part of the decision dealing with the calculation

6 CNMC Decision of 6 February 2020, S/DC/0631/18, *Bcincope v. Adidas España*.

7 CNC Decision of 4 July 2013, S/0312/10, *Carpa Dorada v. Club de Variedades Vegetales Protegidas*.

8 Judgment of 18 June 2015 of the Audiencia Nacional, Appeal No. 385/2013 (ROJ: SAN 2449/2015).

of the fine. In particular, the National Court found that taking into account the turnover of all the members of the CVVP, including those that had been harmed by the practices denounced, was contrary to the proportionality principle.

ii Refusals to license

Under certain circumstances, a refusal to license may be considered contrary to Article 2 Antitrust Act which, as mentioned in the Introduction, prohibits abuses of dominant position.

In the *Snowchaser blueberry* case, the CNMC examined a ‘refusal to license’ case, the facts of which may be summarised as follows. A company based in Andalucía (Southern Spain) obtained a licence from the University of Florida to produce a type of blueberry (Snowchaser) protected by a Community Plant Variety Right owned by the latter. The former granted approximately 200 to 300 sublicences to other producers, which could therefore legitimately produce this variety under their sublicense agreements. The licensor identified a number of companies that were producing this variety without having a sublicense. In view of this, it organised a ‘collective update process’ to include them in the sublicense programme within a specific period of time. After the deadline had passed, a company that had not taken part in the ‘collective update process’ requested the negotiation of an individual sub-licence. Although the licensor initially accepted this, it ultimately refused to grant a sublicense on the grounds that the applicant failed to fulfil the transparency obligations (in terms of varieties produced, etc) required of all the other sublicensees.

Against this background, the applicant filed a complaint against the licensor before the CNMC. In relation to Article 1 Antitrust Act, the CNMC found that the facts described did not fall within Article 1, as there was no agreement or concerted practice involved. Moving on to Article 2, the CNMC found that the licensor did not have a ‘dominant position’ in the first place because its market share within the relevant market (defined as ‘red fruits’) was below 5 per cent. Even if one were to consider the ‘blueberry’ market, its market share would still be below 10 per cent. The CNMC added that, in any event, one could not deduce the existence of abuse from the reasons used to deny the sublicense, and that the complainant had not shown that the refusal to grant it was discriminatory or had an exclusionary purpose based on the imposition of unreasonable conditions or excessively high prices.⁹

Another interesting and certainly more high-profile case that has kept the Spanish antitrust authorities and courts busy during recent years is the well-known dispute between Hewlett-Packard and Oracle resulting from the latter’s decision to suspend all software upgrades of the Itanium processor of Intel Corporation (Intel), used mainly in Hewlett-Packard’s Integrity servers. After almost a decade of intricate procedural turnarounds, on 20 February 2019 the CNMC issued a decision declaring that the existence of an abuse of dominant position had not been established. To make a long story short, the CNMC found that a refusal to develop a software is different from refusing to sell a product that has already been developed and is available for sale and that, in the former case, any alleged abuse must be scrutinised by applying a stricter test.¹⁰

9 CNMC Decision of 28 November 2019, S/0022/2019, *Arándanos (Blueberries)*.

10 CNMC Decision of 20 February 2019, S/0354/11, *Hewlett-Packard v. Oracle*.

iii Unfair and discriminatory licensing

One of the practices potentially falling within the prohibition of Article 2 Antitrust Act is unfair and discriminatory licensing. The classic examples in this area have been some practices by ‘royalty collecting societies’, which have been recurrent parties before the CNMC and the Spanish courts.

For example, in 2016, *Derechos de Autor de Medios Audiovisuales, Entidad de Gestión (DAMA)* and *IME Licensing Services SL (IME)* filed a complaint before the CNMC against *Sociedad General de Autores y Editores (SGAE)*, Spain’s leading royalty collecting society. This led to the investigation of both what is known as the upstream market (i.e., management of IPRs of authors and editors of audiovisual and musical works) and the downstream market (i.e., granting of licences to third parties and collection of royalties).

The CNMC concluded that there had been an abuse of dominant position in both markets due to the imposition on SGAE’s members of statutory and contractual conditions that restricted, without justification, both the initial assignment to SGAE of the management of the IPRs owned by members and the withdrawal of such assignment during the life of the management contracts. In relation to the downstream market, the CNMC concluded that the abuse of dominant position was a result of the ‘packaging’ and lack of a tariff breakdown for the audiovisual and musical repertoire, and the use of a tariff structure that made it difficult to make comparisons with other operators. All this led the CNMC to the conclusion that there had been a very serious infringement of Article 2 Antitrust Act and Article 102 TFEU. Therefore, it imposed upon SGAE a sanction equivalent to 4.5 per cent of its turnover in the previous year (2018).¹¹

Another interesting case involving royalty collecting societies can be found in the judgment of 23 November 2017 issued by the Spanish Supreme Court (Third Chamber, which deals with appeals against administrative decisions such as the decisions of the CNMC).¹² This judgment dismissed a cassational appeal lodged by EGEDA, a royalty collecting society used by audiovisual producers, against a judgment of 29 September 2016 of the National Court, which had partially upheld an appeal lodged against a 2 March 2012 decision of the CNN which had imposed a sanction upon EGEDA for having committed a very serious breach of Article 2 Antitrust Act and Article 102 TFEU (in particular, for having applied excessive tariffs to establishments such as hotels, which depended on the hotel’s category).

The Supreme Court rejected the appeal, noting that the application of different tariffs linked to the category of the hotel (i.e., higher category, higher tariffs) or the rooms available was not justified. In particular, the Court found that this system resulted in tariffs that were not equitable and which were excessive. Interestingly, the Court used the example of other utilities such as water, electricity, etc to reinforce the point that the value of the rights, as such, could not depend on the category of the hotel where such rights would be enjoyed. Also, the Court noted that the tariffs applied were higher than the tariffs applied by other royalty collecting societies in other EU Member States. Finally, the Court also noted that EGEDA’s lack of transparency by hiding the conditions applied to different users constituted, as such, an abuse of dominant position contrary to Article 2 Antitrust Act and Article 102 TFEU.

Another interesting precedent from the Supreme Court (Third Chamber) is its judgment of 11 April 2019,¹³ which dismissed a cassational appeal lodged by SGAE. This

11 CNMC Decision of 30 May 2019, S/DC/0590/16 *DAMA v. SGAE*.

12 Judgment No. 1796/2017 of 23 November 2017 of the Supreme Court (Third Chamber) (RJ\2017\5633).

13 Judgment No. 522/2019 of 11 April 2019 of the Supreme Court (Third Chamber) (RJ\2019\1700).

judgment confirmed that, for the purpose of calculating the fine, it was correct to treat the royalty collecting society and the IPR holders as an ‘economic unity’ and, therefore, it was not contrary to the proportionality principle to include the remuneration paid to the authors within the royalty collecting society’s business turnover.

More recently, the Audiencia Nacional¹⁴ substantially confirmed a decision of 26 November 2015 of the CNMC against two other collecting entities (AGEDI and AERC) for having allegedly abused a dominant position. In particular, the Audiencia Nacional confirmed that the imposition of royalties based on the population and not on the effective use of the works was inequitable. Also, it considered that the application of different royalties, respectively, to publicly owned and privately owned radio stations and to those which, respectively, were or were not part of certain associations, was discriminatory.

The activities of royalty collecting societies have also scrutinised before civil courts. For example, in an interesting judgment of 7 November 2019,¹⁵ Barcelona Court of Appeal (Section 15) found the tariffs (8.5 per cent, initially 10 per cent) charged by SGAE to concert organisers to be excessive and it concluded that, instead, in the particular case at hand, SGAE was entitled to a royalty equivalent to the percentage charged by the UK royalty collecting society (3 per cent).

iv Patent pooling

The arrival of democracy in Spain after Franco’s death in 1975 brought a cartel that comprised a ‘patent pooling’ element, which lasted 30 years and which continues to be the classic example of ‘patent pooling’ in Spain.

In a country which, unfortunately, was not used to holding elections, not one single envelope manufacturer was able to produce, alone, all the envelopes required for elections and referendums (such as the referendum to vote on whether or not Spain should remain in Nato). As a result, envelope manufacturers would contact each other to join forces and produce together the massive amounts of envelopes required by the national and regional governments. As time went by, this resulted in behaviours that the then-called National Competition Commission (CNN) found to comprise the following elements:

- a* agreements to share public tenders relating to pre-printed envelopes to be used in elections;
- b* agreements to share the market for pre-printed envelopes related to large customers;
- c* agreements to fix prices and share the market for non-printed envelopes (i.e., the ‘white’ envelope); and
- d* an agreement on technological limitation in relation to paper envelopes.

The element of most interest in this section is of course (d). Six of the members of this very large cartel agreed to set up a joint venture which was assigned the utility models owned by some members. The CNN found that the purpose of this was to control the exploitation of those utility models and limit the technological innovation in this field. Therefore, it reached

14 Judgment of 17 February 2022 of the Audiencia Nacional, Appeal No. 0000067/2016 (ROJ: SAN 2417/2022).

15 Judgment No. 2000/2019 of 7 November 2019 of Barcelona Court of Appeal (Section 15) in appeal 664/2017 (AC\2019\1517).

the conclusion that this element of the agreements, together with the other three elements mentioned above, formed part of a cartel that constituted a very serious infringement of Article 1 Antitrust Act.¹⁶

v Software licensing

For some reason, there appears to be a dearth of cases dealing specifically with software licensing in Spain.

The only case worth mentioning refers to a complaint filed by BC Carpas (a company that rents tents for events) with the CNMC against SAP España, a company that markets the ‘SAP Business One’ software for use mainly by small and medium-sized companies. In short, the claimant alleged that the contractual arrangements between BC Carpas and SAP España had been such that they made it very difficult for the claimant to move to another supplier. However, the CNMC declined opening an investigation because it considered that the indicia filed did not suggest a possible infringement of Article 1 or Article 2 Antitrust Act. It added that SAP España did not have a dominant position, and that, in the end, the facts reported revealed a simple contractual disagreement between the parties that should be resolved elsewhere.¹⁷

vi Trademark licensing

In the area of trademarks, a case that has kept the Spanish antitrust authorities and civil courts particularly busy in recent years has been the disputes between parallel importers of tonic water bearing the Schweppes trademark and the company that owns this trademark in Spain, among other EU Member States.

To put these disputes in context, it is worth starting the account of these cases by recalling that, historically, this trademark is owned by two different groups of companies. One of the cases started with a complaint filed by a parallel importer (Red Paralela BCN SL) against Schweppes SA (SSA), a Spanish company owned by Orangina Schweppes Group, whose parent company is the Dutch company Orangina Schweppes Holding BV (OSHBV), under the control of the Japanese holding Suntory Holdings Ltd since 2009. SSA is the exclusive licensee of the Schweppes trademark in Spain since 2008.

Against this background, in 2013, SSA initiated several trademark infringement actions against parallel importers that were importing tonic water bearing the Schweppes trademark from the UK and other European countries where the trademark is not owned by the parent company of SSA (i.e., OSHBV) but by the Coca-Cola group. In this context, SSA reached agreements with their independent distributors whose purpose, according to the party that filed the complaint before the CNMC, was to restrict parallel imports of tonic water bearing the Schweppes trademark in a manner allegedly contrary to Article 1 Antitrust Act and Article 101 TFEU.

The CNMC opened an investigation where it examined the case law of the CJEU¹⁸ and Spanish courts¹⁹ that admits exceptions to the trademark exhaustion principle when the trademark owner has legitimate reasons to oppose the parallel imports. During the

16 CNMC Decision of 25 March 2013, S/0316/10, *Sobres de papel (Paper Envelopes)*.

17 CNMC Decision of 9 January 2019, S/0634/18, *Alquicarp*.

18 CNMC Decision of 29 June 2017, S/DC/0548/15 *Schweppes*.

19 For example, the judgment of 20 October 2008 of the Supreme Court (STS 965/2008), which summarises the trademark exhaustion doctrine and its limits, and the judgment of 18 October 2012 (STS 590/2012),

investigation, it was noted that in the agreements reached between SSA and its distributors, the latter had agreed not to import or market products bearing the Schweppes trademark 'which have not been manufactured by SSA' or by 'authorised third parties'. In this regard, SSA offered commitments whereby the literal wording of these agreement would be amended to make it clear that distributors were in fact prevented from importing tonic water of UK origin bearing the Schweppes trademark manufactured by Coca-Cola. The CNMC found that this and other ancillary commitments were sufficient and, therefore, decided to close the case.

In a parallel trademark infringement action brought by SSA against Red Paralela, SL and Carbòniques Montaner SL (i.e., the parallel importers), Barcelona Commercial Court No. 8 issued a judgment dismissing the trademark infringement action.²⁰ However, it was reversed by the Barcelona Court of Appeal (Section 15) in its judgment of 22 July 2019.²¹

In parallel, SSA obtained a favourable judgment in another trademark infringement case against another parallel importer, where Valencia Commercial Court No. 1 issued a judgment on 25 September 2015 declaring that the trademark rights had not been exhausted and that, therefore, the trademark had been infringed, although rejecting the petition aimed at obtaining damages.²² SSA lodged an appeal before the Valencia Court of Appeal against the part of the judgment that had denied awarding damages. The appeal was dismissed on the grounds that no damages had been proved and that the parallel importer had ceased the parallel imports after receiving the first warning letters.²³

Similarly, in another parallel case, Granada Commercial Court number 1 issued a judgment on 22 February 2016²⁴ against another parallel importer, finding trademark infringement but not awarding damages. Like in the previous case, SSA lodged an appeal against this part of the judgment, which was dismissed by the Granada Court of Appeal in a judgment of 13 July 2016.²⁵

In yet another parallel case, Valencia Commercial Court No. 1 issued a judgment on 27 April 2016 dismissing a trademark infringement action filed by SSA against another parallel importer (Alcodis Bebidas y Licores SL).²⁶ However, this judgment was reversed by the Valencia Court of Appeal in its judgment of 28 February 2017,²⁷ where it found that SSA had legitimate reasons to oppose the parallel importation of tonic water bearing the Schweppes trademark produced by Coca-Cola and not by SSA.

which confirmed a judgment of 11 December 2009 of the Madrid Court of Appeal (Section 28), which applied the CJEU HAG-II and IHT doctrine in a case involving the double ownership of the Gulf trademark in The Netherlands and in Spain.

20 Judgment of 9 April 2018 of Barcelona Commercial Court No. 8 in proceedings 774/2014 *Schweppes SA v. Red Paralela BCN SL and Carbòniques Montaner SL* (AC\2019\112).

21 Judgment of 22 July 2019 of the Barcelona Court of Appeal in appeal 1278/2018 (AC\2019\900).

22 Judgment of 25 September 2015 of Valencia Commercial Court No. 1 in proceedings 1280/2014 *Schweppes SA v. Cash Valencia, SL* (AC\2015\1748).

23 Judgment of 17 June 2016 of the Valencia Court of Appeal in appeal 1659/2015 (AC\2016\1452).

24 Judgment of 22 February 2016 of Granada Commercial Court No. 1 in proceedings 137/2014 *Schweppes SA v. Exclusivas Priego, SL* (JUR 2017\287303).

25 Judgment No. 204/2016 of 13 July 2016 of the Granada Court of Appeal in appeal 327/2016 (JUR\2016\221892).

26 Judgment of 27 April 2016 of Valencia Commercial Court No. 2 in proceedings 1144/2014 *Schweppes SA v. Alcodis Bebidas y Licores, SL* (JUR 2018\60601).

27 Judgment No. 117/2017 of 28 February 2017 of the Valencia Court of Appeal in appeal 2295/2016 (AC\2017\713).

Another interesting case where the tension between IPRs and antitrust was tested was the *Mustela* case. This matter began with a trademark infringement action brought by Laboratoires Expanscience SA (Expanscience) and its Spanish subsidiary against Distribuidora Internacional de Alimentación SA (DIA), Beauty by Dia SA and Covefarma SL. The claimant owns the Mustela trademark, under which it markets skin-protection products to be used mainly on babies, children and by future and recent mothers. These products are marketed through a selective distribution scheme, the members of which have to fulfil certain criteria (qualifications of the personnel, position of the products, etc).

Against this background, Expanscience filed a trademark infringement action against DIA and the other defendants, which were marketing products bearing the Mustela trademark in supermarkets, that is, outside the selective distribution scheme. In the first instance, Barcelona Commercial Court No. 2 issued a judgment dismissing the action.²⁸ In short, the judge seemed to consider that selective distribution schemes were only justified in the case of luxury goods but not in the case of the type of goods marketed by the claimant. This view was corrected by the Barcelona Court of Appeal (Section 15) in its judgment of 5 April 2019.²⁹ The Court, after noting that selective distribution schemes may be justified not only in the case of luxury goods but also in cases involving other types of products, such as the cosmetic products marketed under the Mustela trademark, found that DIA did not fulfil some of the parameters required by the selective distribution scheme. In view of this, the Court concluded that the trademark owner had legitimate reasons to defend that an exception to the trademark exhaustion principle should be made and that, therefore, the trademark had been infringed.

IV STANDARD-ESSENTIAL PATENTS

i Dominance

We are not aware of any administrative or judicial decision analysing whether or not a company holding a standard-essential patent (SEP) has a dominant position in the relevant market.

Some years ago, an implementer sued before the Barcelona Commercial Courts for allegedly infringing a SEP raised an ‘abuse of dominant position’ defence. However, the case was settled before the Court had reached any conclusion.

ii Injunctions

Under Spanish law, one of the remedies that a patent owner is entitled to request when its patent has been infringed is a permanent injunction.³⁰ So if, in the complaint, the complainant has requested a permanent injunction, and the judge concludes that the SEP has been infringed, the judge has no discretion to deny the permanent injunction requested and must order it.

A different matter is that, for the purpose of showing that it is entitled to request a permanent injunction, the SEP holder may have to demonstrate that it has fulfilled certain procedural requirements imposed by the undertaking to grant licences under FRAND terms.

28 Judgment of 21 March 2018 of Barcelona Commercial Court No. 2, in proceedings 300/2017 *Laboratoires Expanscience, SA et altri v. DIA et altri* (JUR 2019\278195).

29 Judgment No. 654/2019 of 5 April 2019 of the Barcelona Court of Appeal (Section 15) in appeal 1086/2018 (AC\2019\515).

30 Article 71.1 (a) of the Spanish Patent Act.

Due to the dearth of case law from the Spanish Supreme Court on SEPs, let alone a doctrine on the procedural requirements that a SEP holder must fulfil to be entitled to apply for a permanent injunction, it is only natural to look for guidance to the criteria laid down by the CJEU in the *Huawei v. ZTE* case.³¹ As is well known, in this case the CJEU clarified that failing to follow the procedural steps set out in the judgment could result in a finding of abuse of dominant position.

iii Licensing under FRAND terms

Unlike in other European countries such as the UK,³² in Spain there are no meaningful judgments setting out the criteria for setting FRAND royalties. This is because, to date, cases involving SEPs have tended to settle before a judgment was published.

iv Anticompetitive or exclusionary royalties

As mentioned above, cases involving SEPs have rarely reached upper-level courts to date. Therefore, in general, there is a dearth of case law on this in Spain.

V INTELLECTUAL PROPERTY AND MERGERS

i Transfer of IP rights constituting a merger

In view of the very broad definition of ‘economic concentration’ used in Article 7 Antitrust Act, under certain circumstances, a transfer of IPRs may well be considered an economic concentration.

ii Remedies involving divestitures of intellectual property

As in the case of any other economic concentration, antitrust concerns may be addressed by divesting certain IPRs.

A classic example is the acquisition by Bimbo, a large Spanish manufacturer of sandwich bread, of Panrico, a large manufacturer of doughnuts marketed under the Donut trademark. As Panrico also had a strong presence in the sandwich bread market, where it used the Panrico trademark, the CNN required the divestiture of this trademark to a third party (Adam Foods), so that the competition in the sandwich bread market was guaranteed.³³

31 CJEU judgment of 16 July 2015, C 170/13, *Huawei v. ZTE*.

32 See, for example, the judgment of 26 August 2020 of the Supreme Court in *Unwired Planet International Ltd and another (Respondents) v. Huawei Technologies (UK) Co Ltd and another (Appellants) Huawei Technologies Co Ltd and another (Appellants) v. Conversant Wireless Licensing SARL (Respondent) ZTE Corporation and another (Appellants) v. Conversant Wireless Licensing SARL (Respondent)* [2020] UKSC 37, on appeals from: [2018] EWCA Civ 2344 and [2019] EWCA Civ 38.

33 CNMC Decision of 21 June 2016, C/0748/16, *Bimbo/Panrico*.

VI OTHER ABUSES

i Sham or vexatious IP litigation

As far as we are aware, there are no precedents of cases where a Spanish court may have found that an IPR holder has carried out a sham or vexatious litigation. This is because both the Supreme Court and the Constitutional Court have consistently declared that going to court is one of the most fundamental constitutional rights and that this right may only be limited in absolutely exceptional circumstances. The threshold is truly set very high.

Likewise, the CJEU has been extremely cautious. In the *ITT Promedia* case,³⁴ which continues to be the landmark case in this area, the Commission understood that resorting to court could only constitute an abuse of a dominant position when two cumulative requirements were met:

- a First requirement: the judicial proceedings '[. . .] cannot reasonably be considered to have as their object the enforcement of their rights and, therefore, to serve only to harass the opposing party'; and
- b Second requirement: 'that they are conceived within the framework of a plan to abolish competition'.

In order to have a more complete view of the scope that the Commission wanted to give to each of these requirements, Paragraph 56 of the judgment of the Court of First Instance of 17 July 1998 is of help:

56. The first of the two criteria means, according to the Commission, that judicial action must clearly lack any basis from an objective point of view. The second indicates, for its part, that the judicial action should aim at the elimination of competition. Both criteria must be met in order to demonstrate the existence of an abuse. The exercise of inappropriate judicial action cannot in itself constitute a breach of Article 86 of the Treaty unless such action is intended to be contrary to competition. Similarly, if a court action can reasonably be considered to represent an attempt to assert rights against competitors, it cannot constitute an abuse, regardless of whether it may fall under a plan to eliminate competition.

In other words, the Commission stressed that the complainant must prove that the court action was manifestly lacking any basis from an objective point of view.

The Court then drew attention to the fact that, the right to litigate being a fundamental right, only in exceptional circumstances could it be understood that going to court could constitute an abuse of a dominant position within the meaning of Article 86 of the Treaty:

60. Three elements must be drawn to the attention of the reasons for the discussion. Firstly, it must be emphasised, as the Commission has rightly done, that the possibility of enforcing own rights through judicial proceedings and the jurisdictional control that this implies is the expression of a general principle of law which is basic in the constitutional traditions common to the Member States and which was also enshrined in Article 6 of the European Convention for the Protection of Human Rights and Fundamental Freedoms of 4 November 1950 (see judgment of the Court of Justice of 15 May 1986, Johnston, 222/84, [p. 1651, paragraphs 17 and 18]). Since judicial protection is a

34 Court of First Instance judgment, 17 July 1998, T-111/96, *ITT Promedia*.

fundamental right and a general principle which guarantees respect for the law, only in exceptional circumstances may the exercise of judicial action constitute an abuse of a dominant position within the meaning of Article 86 of the Treaty.

In addition, the Court stressed that the two requirements mentioned should be interpreted and applied restrictively:

61. It should then be noted that, as an exception to the general principle of judicial protection guaranteeing respect for the law, the two accumulated criteria must be interpreted and applied restrictively so that the application of the general principle is not thwarted (see, in particular, the judgment of the Court of First Instance of 5 March 1997, WWF UK/Commission, T-105/95, ECR P. II-313, paragraph 56).

The bar is indeed set very high, which explains that, despite the fact that 24 years have passed since this judgment was handed down, there is not a single case in which the Commission has understood that taking legal actions alleging infringement of IPRs, by itself and without being tied to other practices, has constituted an abuse of dominant position.

As advanced in Section II, one of the noteworthy developments of the last year is that the CNMC imposed an around €38 million sanction on a pharmaceutical company³⁵ for having allegedly abused a dominant position by embarking on sham patent litigation. In short, the CNMC considered that that company had applied for and obtained a preliminary injunction based on a patent that, according to the CNMC, it knew had not been infringed. As mentioned earlier, it is doubtful whether this decision will survive judicial scrutiny, as it deviates from the criteria laid down by the European Commission and endorsed by the CJEU in the *ITT Promedia* case mentioned above. For the time being, the Audiencia Nacional has issued a decision suspending the fine.

ii Misuse of the patent process

If the IPR holder has a dominant position, under certain circumstances, the misuse of the patent process could theoretically be contrary to Article 2 of the Antitrust Act.

For example, in the *Xalatan* case, the CNC opened an investigation against Pfizer after the Italian antitrust authority, in a parallel case, had imposed a sanction on Pfizer for allegedly having abused its dominant position. The practice involved was the filing of applications for divisional patents, a supplementary protection certificate (SPC) and a paediatric extension extending the protection of the active ingredient Latanoprost, marketed by Pfizer under the *Xalatan* trademark. After a thorough investigation, in contrast to the Italian antitrust authorities, the CNN came to the conclusion that the alleged abuse of dominant position had not been proven.

In this author's experience, the conclusions reached by the antitrust authorities in this type of case may depend, to a large extent, on the level of familiarity with the intricacies of the patent system of the staff that is carrying out the specific investigation. In the *Xalatan* case discussed above, the outcome of the Spanish case was very much driven by the efforts deployed by the investigation staff at understanding the rationale of divisional patents, SPCs and paediatric extensions.

35 CNMC Decision of 21 October 2022, S/0026/19, *Merck Sharp Dohme*.

iii Anticompetitive settlements of IP disputes

As is well known, there have been cases at the EU level where the General Court has confirmed that, under certain circumstances, out-of-court settlements may be contrary to Article 101 of the TFEU. European antitrust aficionados will of course be familiar with the *Lundbeck*,³⁶ *Servier*³⁷ and *Paroxetine*³⁸ judgments.

We are not aware of any judgments from Spanish courts resolving similar cases, although we would expect them to follow the same doctrine applied by the General Court in those cases.

VII OUTLOOK AND CONCLUSIONS

All in all, this past year has been another year of transition, in the sense that the antitrust community is expecting to see a profound reform of the Antitrust Act in the not-too-distant future. However, it is doubtful whether such reform will have a specific impact on the interplay between IPRs and antitrust norms.

In contrast, the conclusions that the Commission may reach on pending investigations currently underway, depending on the outcome, could have some influence on the *modus operandi* of the Spanish antitrust authorities.

36 EGC judgments of 8 September 2016, T-472/13, T-460/13, T-467/13, T-469/13, T-470/13 and T-471/13, *Lundbeck*, confirming the Commission decision, 19 June 2013, AT.39226.

37 EGC judgments of 12 December 2018, T-677/14, T-679/14, T-680/14, T-682/14, T-684/14, T-701/14, T-705/14 and T691/14, *Perindopril – Servier*, partially annulling the Commission decision, 9 July 2014, AT.39612.

38 CJEU judgment of 30 January 2020, C307/18, *Paroxetine*.

